

## 2021 Was the Year of Deli and Perimeter Bakery

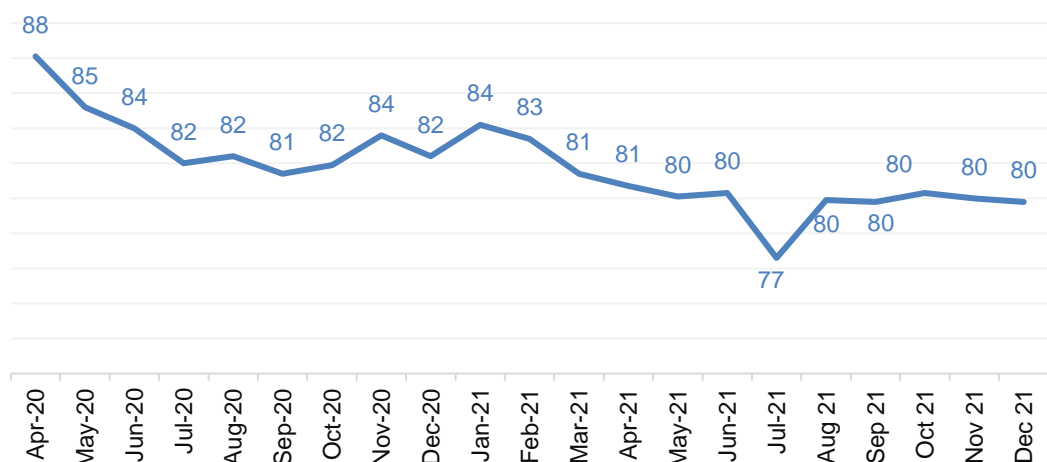
By: Anne-Marie Roerink, President, 210 Analytics LLC

The fourth quarter of 2021 was disrupted by high levels of COVID-19 cases, high inflation and continued supply chain challenges. “Americans are very aware of inflation, with 43% perceiving prices to be a little higher and 48% perceiving them to be much higher,” said Jonna Parker, Team Lead for IRI Fresh, citing the December wave of IRI’s primary shopper survey. “Among those who have noticed inflation, 94% are concerned about it. While produce and meat dominate as examples shoppers gave of items with higher prices, milk is in fifth, cited by 59% of people. Eggs and bread are also in the top 10 examples of items shoppers perceive to be affected by inflation. In response to inflationary pressure around the store, 45% look for sales specials more often, 21% buy private brands more often and 13% visit different stores. Only about one-third of shoppers have not (yet) made any changes due to price increases.” The combined effect of inflation, out-of-stocks and the latest COVID-19 wave has led to continued changes relative to food purchasing and consumption. In 2022, IRI, 210 Analytics and the International Dairy Deli Bakery Association (IDDBA) will continue to team up to document the ever-changing marketplace and its impact on food retailing.

Meals remained home-centric in December. According to the IRI primary shopper survey, the share of meals prepared at home remained at 80%.

The share of in-store versus online trips to buy groceries gained a little in December (86%) versus its November levels (83%) — perhaps related to holiday shopping. During the early months of the pandemic, as many as 20% of trips were online. This dropped to a low of 11% in July of 2021.

Share of total meals prepared at home by month (%)



Yet online shopping remains a complementary trip for most consumers. In December 2021, only 3% of survey respondents believe they will buy all their groceries online in the next month. This compares to 69% who believe they will buy everything in store, leaving 28% who will mix online and in-store grocery shopping. This signals a likely continuation of mixed format shopping for 2022 for a significant number of people.

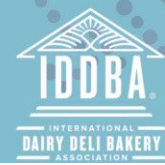
“As we enter 2022, it is clear that disruptive forces will continue to affect the retail marketplace,” said Jeremy Johnson, VP of Education for IDDBA. “With two record years on the books for many departments, 2022 will be all about finding pockets of growth, finetuning shopper-centric thinking and minimizing supply chain disruption on in-store conditions. One such opportunity for growth remains mixed-format shopping and ensuring fresh items, including dairy, bakery and deli find their way into online baskets.”

### Inflation

The consumer price index increased 6.8% for the 12 months ending November 2021, its highest since June 1982, according to the Bureau of Labor Statistics. IRI-measured price per unit for all food and beverages in multi-outlet stores, including supermarkets, club, mass, supercenter, drug, military, and other retail food stores, also shows that prices continued to rise over and above their elevated 2020 levels. In December 2021, the average price per unit was up 8.3% versus December 2020 across all food and beverages. For the total year, prices increased 5.3% — pulled down by much milder inflation in the second quarter.

# COVID-19 IMPACT

brought to you by:



Average price/unit vs. YA	Q1 21	Q2 21	Q3 21	Q4 21	2021 CY	Dec 21
Total food and beverages	+5.5%	+2.7%	+5.0%	+8.0%	+5.3%	+8.3%

Source: IRI, Integrated Fresh Total US, MULO

In bakery, inflation expressed in the average price per unit paced ahead of average in the first and second quarters, but fell behind in the third and fourth quarters. Deli inflation, including cheese, meat and deli prepared, was lower than that of total food and beverages throughout the year. Deli inflation averaged 4.4% in 2021, nearly one point below total food and beverages. Dairy also had far below average levels of inflation on a per unit basis. Prices even declined during the second quarter and ended up increasing a very low 2.7% over the entire year.

Average price/unit vs. YA	Q1 21	Q2 21	Q3 21	Q4 21	2021 CY	Dec 21
Total bakery	+9.0%	+3.6%	+4.1%	+7.8%	+6.2%	+8.3%
Total deli	+2.1%	+3.8%	+4.3%	+7.2%	+4.4%	+7.9%
Total dairy	+3.7%	-0.9%	+3.6%	+4.4%	+2.7%	+4.7%

Source: IRI, Integrated Fresh Total US, MULO

## 2021 Sales

2021 brought \$691 billion in food and beverage sales — up 1.8% over 2020 and 15.8% over the 2019 pre-pandemic normal. However, inflation played a significant role with year-on-year unit sales still down 3.3%. Perishables, including produce, seafood, meat, bakery and deli, had the highest year-over-year sales growth in 2021, at +2.2%. Frozen foods had the highest increase versus the pre-pandemic normal of 2019, at +23.0%. Of the three areas represented by IDDBA, dairy is the largest with \$60.4 billion in 2021 sales, down a mere 2.1% versus 2020. Taking the low inflationary levels into account, dairy had a tremendous performance despite the small year-over-year decline, as evidenced by the +11.0% gain when comparing the 2021 dollars to the pre-pandemic 2019 levels. Deli was the second largest with 2021 sales of \$40.8 billion. Deli made a full comeback in 2021 and managed to outpace 2019 levels by 13.1% — well ahead of inflation. Bakery generated \$36.3 billion in 2021, with the perimeter bakery making a full recovery, overtaking the bakery aisle as the sales growth leader in 2021.

2021	Dollar size	Dollar sales vs. 2020	% sales change versus year ago	
			Dollar sales vs. 2019	Unit Sales vs. 2020
Total food and beverages	\$691B	+1.8%	+15.8%	-3.3%
Total perishables	\$311B	+2.2%	+15.0%	-2.3%
Total bakery	\$36.3B	+7.9%	+11.5%	-1.2%
Total deli	\$40.8B	+11.1%	+13.1%	+6.5%
Total dairy	\$60.4B	-2.1%	+11.0%	-4.7%

Source: IRI, Integrated Fresh, Total US, MULO, % change vs. year ago.

## Perishables Performance

A look across fresh foods departments for the four December weeks shows perimeter strength. All departments, with the exception of seafood, gained year-over-year with the highest sales increases going to deli. Seafood is significantly smaller than the other fresh departments. Within IDDBA's space, deli had the highest growth in December.

December 2021	\$ sales	Dollar sales gains vs. 2020	Dollar sales gains vs. 2019
Total perishables	\$25.3B	+6.6%	+17.5%
Meat	\$6.9B	+6.7%	+22.4%
Refrigerated (including dairy)	\$6.3B	+2.7%	+13.2%
Produce	\$5.2B	+6.5%	+19.4%
Deli (meat, cheese and deli prepared)	\$3.4B	+14.5%	+16.7%
Bakery	\$3.0B	+9.3%	+13.9%
Seafood	\$546M	-5.7%	+17.9%

Source: IRI Integrated Fresh, Total U.S., MULO, fixed and random weight items combined into department views

# COVID-19 IMPACT

brought to you by:



## December Dairy Sales

“The four December weeks generated upwards of \$5 billion in dairy sales, an increase of 2.1% despite far below average inflationary levels,” said Jessica Ives, Professional Development Coordinator with IDDBA. “All year long, shoppers have gone out early to avoid the big crowds that are so typical of holiday shopping, a trend reflected in the gradually increasing sales in each

Dairy	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	\$5.198B	+2.1%	+11.7%
w.e. 12/5/2021	\$1.158B	-1.0%	+8.7%
w.e. 12/12/2021	\$1.234B	0.0%	+9.7%
w.e. 12/19/2021	\$1.324B	-1.6%	+1.7%
w.e. 12/26/2021	\$1.482B	+10.2%	+27.4%

of the December 2021 weeks as well. The final week was by far the biggest with more than a 10% gain over year ago as shoppers picked up the last Christmas dinner items and started preparing for New Year’s celebrations.”

Underneath the strong dairy/refrigerated sales performance is a more mixed performance at the subcategory level. The largest seller, milk, held steady in December while yogurt was the fastest grower with an increase of 9.6%.

Current dollar sales vs the same time period year ago											
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19
<b>Dairy</b>	<b>12%</b>	<b>22%</b>	<b>12%</b>	<b>9%</b>	<b>0%</b>	<b>-9%</b>	<b>0%</b>	<b>+1.1%</b>	<b>\$5.2B</b>	<b>+2.1%</b>	<b>+11.7%</b>
Milk	11%	14%	9%	7%	-1%	-6%	0%	+0.7%	\$1.3B	+0.3%	+9.6%
Natural cheese	17%	31%	17%	14%	2%	-12%	-2%	-1.6%	\$989M	-1.4%	+12.0%
Yogurt	4%	2%	4%	5%	-2%	4%	5%	+6.5%	\$554M	+9.6%	+17.1%
Eggs	8%	38%	17%	10%	-2%	-19%	2%	+4.6%	\$577M	+6.4%	+11.9%
Butter/margarine	19%	35%	13%	5%	-7%	-25%	-7%	-2.6%	\$481M	-2.4%	+3.8%
Cream/creamers	11%	21%	15%	13%	7%	-3%	-1%	+3.0%	\$418M	+4.2%	+18.7%
Cream cheese	16%	28%	20%	12%	9%	-8%	-1%	-0.1%	\$231M	+8.0%	+15.0%
Processed cheese	21%	25%	12%	10%	-6%	-14%	-4%	-3.0%	\$190M	-2.2%	+3.8%
Whipped toppings	10%	34%	24%	19%	17%	-9%	-2%	+1.3%	\$150M	+0.0%	+21.4%
Sour cream	11%	28%	13%	6%	1%	-17%	-4%	+1.7%	\$128M	+2.5%	+6.7%
Cottage cheese	2%	9%	5%	5%	-4%	-9%	-6%	-2.6%	\$72M	-0.4%	+6.8%

Source: IRI, Total US, Integrated Fresh, MULO, % growth versus year ago

In the year-over-year look, more dairy and refrigerated areas had volume growth than seen in many months. December volume increases were highest for refrigerated desserts, up +9.5%, but cream/creamers, cream cheese, sour cream, yogurt and cheese snack kits all gained as well.

“While some areas did better than others, dairy remained a sales powerhouse and we fully expect continued strength,” said Ives. “Much like the 2021 story was greatly influenced by inflation and the performance in 2020, growth in 2022 will be shaped by these same forces.”

December 2021 vs. 2020	\$ gains	Unit sales	Volume gains
<b>Dairy</b>	<b>+2.1%</b>	<b>-2.6%</b>	<b>--</b>
Milk	+0.3%	-3.9%	-5.3%
Natural cheese	-1.4%	-1.5%	-1.0%
Yogurt	+9.6%	+1.2%	+4.2%
Eggs	+6.4%	-3.9%	--
Butter/margarine	-2.4%	-8.1%	-6.6%
Cream/creamers	+4.2%	-0.6%	+0.8%
Cream cheese	+8.0%	+4.2%	+3.5%
Processed cheese	-2.2%	-4.1%	-2.1%
Whipped toppings	+0.0%	-3.9%	-0.6%
Sour cream	+2.5%	-0.5%	+0.2%
Cottage cheese	-0.4%	-0.3%	-3.2%
Desserts	+17.9%	+10.8%	+9.5%
Cheese snack kits	+4.0%	+1.5%	+6.3%

Source: IRI, Total US, Integrated Fresh, MULO, % growth versus year ago



# COVID-19 IMPACT

brought to you by:



## Deli 2021

“The deli department struggled in 2020 amid self-serve prepared food bars, and in some cases, full-service counters being closed down for some or all of the year,” said Johnson. “But 2021 was an all-around comeback with gains in each of the four areas within deli. In

departments around the store, convenience-focused items have performed well as consumers are once more seeking time-saving, delicious foods they can easily prepare at home without a lot of planning, preparation and cleaning up.”

2021 sales	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019	Price per unit vs. YA
<b>Department deli</b>	<b>\$40.8B</b>	<b>+11.1%</b>	<b>+13.1%</b>	<b>+4.4%</b>
Deli cheese	\$7.7B	+2.5%	+19.7%	+2.4%
Deli entertaining	\$4.5B	+7.7%	+13.2%	+4.0%
Deli meat	\$7.7B	+5.3%	+16.4%	+5.0%
Deli prepared	\$20.9B	+18.0%	+9.7%	+4.5%

Source: IRI, Total US, Integrated Fresh, MULO, % growth versus

Deli prepared generated more than half of all the 2021 revenue for the department and increased 18% versus year ago and nearly 10% versus pre-pandemic levels. Deli entertaining made a big comeback as well, with sales up 7.7% year-on-year. Deli meat and cheese, that both had strong 2020 results still managed to come in ahead of the 2021 results, albeit largely inflation driven.

## Deli Meat

Deli meat sales (combined fixed and random weight) totaled \$606 million for the four December 2021 weeks, which translated into increases compared to both 2019 and 2020. However, across all deli meat offerings, the December price per pound increased 10.7% versus 2020 to reach \$9.76. Likewise, the average price per unit increased 10.8% to \$5.82 in December indicating sales gains were inflation-driven. Units in December 2021 were down 2.9% versus December 2020 and volume was off by 2.8%. Only during the final week of December, when people shopped for the last items for Christmas and started preparing for New Year's celebrations, did sales gains exceed inflationary gains. That said, deli meat volume sales do still exceed the pre-pandemic 2019 levels by 5.2% — demonstrating continued strong demand versus pre-pandemic.

Deli meat	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	<b>\$605.6M</b>	<b>+7.6%</b>	<b>+22.0%</b>
w.e. 12/5/2021	\$142.4M	+5.8%	+18.2%
w.e. 12/12/2021	\$150.0M	+5.9%	+19.2%
w.e. 12/19/2021	\$154.3M	+3.1%	+15.3%
w.e. 12/26/2021	\$158.9M	+16.2%	+36.9%

Total Deli Meat (FW/RW)	Current sales vs. 2019 and 2020										
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19
Dollars	8%	9%	12%	13%	6%	7%	2%	+6.2%	\$606M	+7.6%	+22.0%
Volume	5%	4%	6%	7%	2%	3%	-2%	-2.2%	62M	-2.8%	+5.2%

Fourth quarter grab-and-go deli meat increased 16.2% versus the last three months of 2020. Pre-sliced and service meat also gained, but at lower rates. Grab & go (random-weight, but sliced for self-service) has been the main driver of the deli meat success ever since the start of the pandemic and already was a winning concept in the years before. Pre-packaged items do seem to pull some dollars and volume away from service meat, but with the overall increase in dollars and volume, the net impact is positive.

Total Deli Meat (FW/RW)	Current sales vs. 2019 and 2020										
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19
Grab & go	35%	72%	57%	56%	39%	8%	12%	+16.2%	\$166M	+18.0%	+85.4%
Pre-sliced	13%	27%	24%	19%	13%	5%	5%	+12.4%	\$73M	+13.3%	+32.0%
Service	2%	-8%	0%	1%	-4%	6%	-2%	+1.3%	\$366M	+2.5%	+4.3%

Source: IRI, Total US, MULO, Integrated Fresh % growth versus year ago, Deli Cheese includes known deli products based on IRI's Integrated Fresh research process powered in cooperation with IDDBA

Packaged lunchmeat, typically found in the meat department, sales generated another \$434 million in December 2021, which constitutes an improvement in performance in dollars versus 2019 and 2020 plus an increase in volume. Lunchmeat has been a powerhouse all throughout 2020 and 2021 as many more lunch occasions shifted to the home.

# COVID-19 IMPACT

brought to you by:



Meat dept packaged lunchmeat (excludes Deli)					Current sales vs. 2019 and 2020							
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19	
Dollars	13%	11%	5%	10%	-5%	-4%	4%	+6.3%	\$434M	+9.5%	+21.9%	
Volume	11%	5%	-1%	4%	-9%	-5%	3%	+16.8%	82.6M	+0.2%	+5.3%	

Source: IRI, Total US Integrated Fresh, MULO

## Deli Cheese

December deli cheese sales totaled \$672 million, a big increase over the November levels. Three out of the four weeks gained versus year ago and 2019, and while inflation played a role, it was a fairly minor one. With an increase of 3.1% in the average price per pound in December for deli cheese, prices grew far less than in most other categories. December deli cheese sales were virtually flat in units (+0.1%) and volume

(-0.1%) when compared to year ago. The December performance underscores the importance of deli cheese in the various winter holidays as charcuterie trays are extremely popular. Compared to the pre-pandemic normal, 9.8% more deli cheese pounds were sold in December 2021 versus 2019.

Deli cheese	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	<b>\$671.7M</b>	<b>+3.0%</b>	<b>+16.8%</b>
w.e. 12/5/2021	\$136.7M	+0.3%	+15.2%
w.e. 12/12/2021	\$148.8M	+1.5%	+15.7%
w.e. 12/19/2021	\$170.1M	-2.2%	+0.8%
w.e. 12/26/2021	\$216.1M	+10.8%	+35.8%

Total Deli Cheese (FW/RW)					Current sales vs. 2019 and 2020							
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19	
Dollars	12%	23%	18%	14%	10%	-2%	0%	+2.4%	\$672M	+3.0%	+16.8%	
Volume	9%	19%	13%	10%	5%	-6%	-2%	+17.4%	84.0M	-0.1%	+9.8%	

“The different formats within deli cheese echo the findings seen in deli meat: grab-and-go is the up-and-coming growth driver along with pre-sliced. These convenience-focused options do put a bit of a dent in service cheese sales, but for a net gain when regarding total deli cheese sales,” said Johnson. “Another area of growth is that of dairy alternative cheese; however, it is important to keep the base of only \$4 million in December sales in mind. Smaller sellers tend to have bigger swings in percentage growth. Year-on-year gains were +114% in the first quarter of 2021 but dropped to +30% come fourth quarter.”

Total Deli Cheese (FW/RW)					Current sales vs 2019 and 2020							
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19	
Grab & go	20%	46%	32%	25%	15%	-6%	2%	+4.2%	\$96M	+4.0%	+26.6%	
Pre-sliced	13%	26%	19%	15%	5%	5%	3%	+6.7%	\$38M	+9.3%	+20.7%	
Service	7%	-3%	-1%	0%	-6%	1%	-3%	-6.3%	\$91M	-7.9%	-6.7%	
Specialty	11%	26%	22%	17%	14%	-2%	0%	+3.6%	\$440M	+4.6%	+19.9%	
Dairy alternative cheese	+103%	+112%	+110%	+118%	+114%	+79%	+62%	+30.4%	\$4M	+27.3%	+170%	

Source: IRI, Total US, MULO, Integrated Fresh

## Deli-Prepared and Deli Entertaining

Not only did deli prepared and entertaining make full comebacks in 2021, sales growth only accelerated as the months went by. December deli prepared sales came in 22.1% ahead year-on-year and 16.7% ahead of 2019. Gains in deli entertaining were slightly lower but still well ahead of inflationary gains.

Deli prepared	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	<b>\$1.7B</b>	<b>+22.1%</b>	<b>+16.7%</b>
w.e. 12/5/2021	\$411M	+21.9%	+14.4%
w.e. 12/12/2021	\$430M	+21.1%	+14.9%
w.e. 12/19/2021	\$437M	+19.6%	+11.9%
w.e. 12/26/2021	\$414M	+26.1%	+27.2%

“The December deli entertaining and deli prepared numbers show that deli now plays a big role in both every day and holiday meal occasions,” said Parker. “Each of the December weeks was huge for deli-prepared with sales peaking

# COVID-19 IMPACT

brought to you by:



the week before the holiday. Cooking today is much more about mixing and matching items cooked from scratch with items that are semi- or fully-prepared. While the produce and meat departments carry many convenience-focused solutions, deli can still expand its role in everyday meal occasions in 2022, whether as a full meal solution or part of a meal.”

Deli entertaining had a very strong month also, with sales during the final week of December being \$50 million more than the first week of the month. “This underscores the opportunity of deli-entertaining solutions for all the 2022 holidays and celebrations,” said Parker. “We suspect entertaining will continue to be home-centric, at the very least in the first quarter, and these types of solutions allow consumers to enjoy time with their guests while still offering restaurant-quality food.”

Deli entertaining	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	<b>\$407M</b>	<b>+16.6%</b>	<b>+9.6%</b>
w.e. 12/5/2021	\$81M	+16.5%	+13.4%
w.e. 12/12/2021	\$91M	+16.0%	+10.0%
w.e. 12/19/2021	\$102M	+12.1%	-8.7%
w.e. 12/26/2021	\$133M	+20.9%	+26.0%

Areas that are still down versus the pre-pandemic normal include combination meals, appetizers and pizza. Holiday meals, which includes catering orders, were a huge winner in 2020 but have not done as well in 2021. This could be perhaps related to party sizes returning to normal, shifting the focus from full meal solutions to hybrid made-from-scratch and semi/fully-cooked items. An area that was trailing behind but has made a big comeback is prepared meat, which includes fried and rotisserie chicken, now tracking ahead of 2020 and 2019. This includes an 8.7% increase in unit sales year-on-year as well.

Deli Prepared	Current sales vs 2019 and 2020										
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19
<b>Deli entertaining</b>	9%	-4%	7%	0%	1%	9%	7%	+12.4%	\$407M	+16.6%	+9.6%
Holiday meals	-26%	13%	8%	22%	130%	124%	262%	-43.6%	\$6M	-47.1%	-38.6%
Spreads	7%	3%	4%	-2%	-8%	-2%	-2%	+5.5%	\$73M	+10.1%	+4.0%
Trays	2%	-39%	-15%	-26%	-1%	60%	46%	+62.8%	\$105M	+61.6%	+11.4%
Dips and sauces	10%	13%	12%	6%	4%	1%	1%	+5.6%	\$186M	+7.8%	+8.5%
<b>Deli prepared</b>	2%	-18%	-7%	-5%	-4%	31%	20%	+20.2%	\$1.7B	+22.1%	+16.7%
Entrees	1%	-19%	-4%	-1%	13%	49%	35%	+33.0%	\$429M	+33.8%	+39.6%
Prepared meats	6%	-13%	-7%	-7%	-6%	16%	9%	+13.7%	\$328M	+17.1%	+7.4%
Salads	4%	-16%	-6%	-3%	1%	27%	17%	+22.1%	\$257M	+24.0%	+18.2%
Sandwiches	-1%	-26%	-7%	-3%	-5%	52%	24%	+12.8%	\$223M	+24.2%	+20.8%
Appetizers	-3%	-24%	-15%	-17%	-10%	20%	11%	+12.8%	\$147M	+14.4%	-6.0%
Side dishes	10%	8%	13%	12%	6%	9%	7%	+4.4%	\$109M	+7.0%	+18.9%
Soups & chili	-3%	-26%	-14%	-14%	-6%	36%	38%	+31.2%	\$87M	+33.2%	+18.7%
Pizza	4%	-20%	-13%	-11%	-10%	20%	12%	+5.9%	\$57M	+7.5%	-5.3%
Breakfast	16%	7%	7%	16%	12%	23%	18%	+6.2%	\$28M	+3.6%	+26.2%
Combo meals	-10%	-69%	-60%	-37%	-35%	100%	78%	+11.1%	\$18M	+21.2%	-17.9%
Desserts	-6%	-45%	-24%	-9%	-3%	78%	39%	+17.6%	\$7M	+18.6%	+7.2%

Source: IRI, Total US, MULO, Integrated Fresh, % increase versus same period year ago, deli prepared foods including both fixed and random weight, includes known deli products based on IRI's Integrated Fresh research process powered in cooperation with IDDBA

## Bakery

In 2020, it was aisle (center store) bakery that drove bakery sales as self-serve areas and sometimes full-service areas closed for some or all of the year. In 2021, keeping up with the 2020 sales peaks proved to be difficult for the aisle but fresh (perimeter) bakery took over as holiday and special occasion

2021 sales	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019	Price per unit vs. YA
Bakery department	\$36.3 B	+4.9%	-1.9%	+6.2%
Aisle bakery	\$21.0 B	+0.4%	-5.5%	+5.5%
Fresh bakery	\$15.3 B	+11.8%	+6.0%	+5.2%

celebrations returned. While aisle bakery came out slightly ahead of 2020, this was inflation driven, with the average



# COVID-19 IMPACT

brought to you by:



price per unit increasing by 5.5% over 2021. Prices in the fresh bakery increased by 5.2% in 2021, but that would include upsizing and more premium choices, not just same-item inflation as it is price per unit.

December bakery sales reached \$3.0 billion, up 9% versus year ago. Importantly, per unit inflation in December reached 8.3% year-on-year, so most of the gains were driven by higher prices, yet, units increased 0.9% and volume by 0.3%. The holiday week was, by far, the biggest of the four, with sales of \$849 million.

Bakery	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
<b>December</b>	<b>\$3.0B</b>	<b>+9.3%</b>	<b>+13.9%</b>
w.e. 12/5/2021	\$685M	+7.1%	+12.5%
w.e. 12/12/2021	\$727M	+7.8%	+12.8%
w.e. 12/19/2021	\$766M	+6.7%	+1.6%
w.e. 12/26/2021	\$849M	+15.2%	+30.5%

Both areas of the bakery drove growth in December, with aisle bakery gains being inflationary-driven and perimeter bakery growing dollars, units and volume.

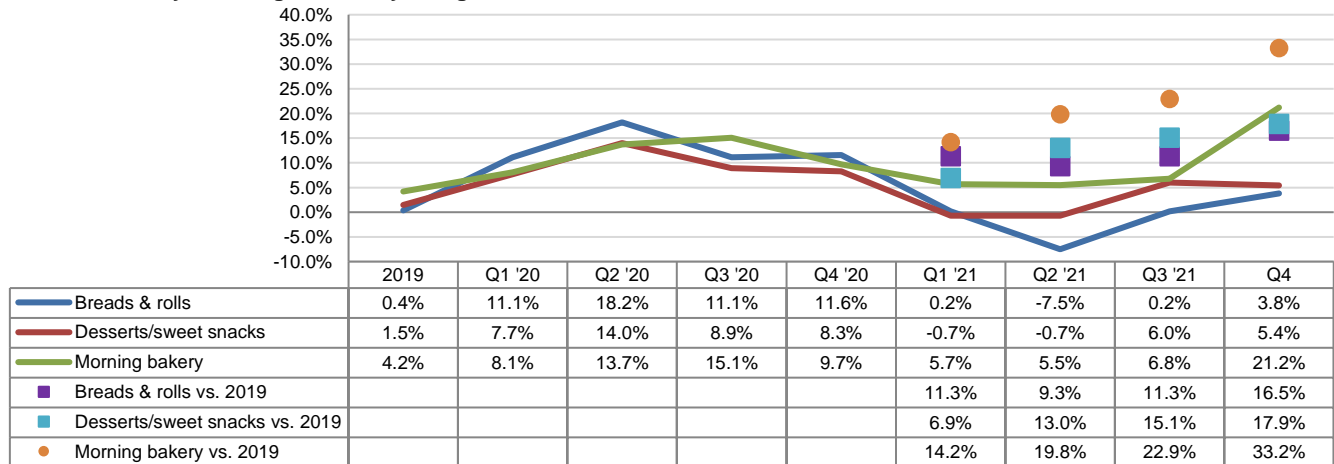
December 2021	Sales	Dollar % gains vs. 2020	Price per unit versus year ago
Department bakery	\$3.0B	+9.3%	+8.3%
Aisle bakery	\$1.7B	+5.8%	+8.5%
Perimeter bakery	\$1.4B	+13.9%	+6.3%

Source: IRI, Total US, Integrated Fresh, MULO, % growth versus year ago

## Center Store Bakery

Baked goods items found in the “aisle” or center-store area adjacent, increased 4.9% in the fourth quarter of 2021. Within aisle bakery, gains were highest for morning bakery, at +21.2%.

Center store bakery \$ sales growth vs. year ago



Source: IRI, Total US, MULO, Integrated Fresh

The overall gain for center-store baked goods was broadly supported. All areas were flat or in the plus compared to year ago. Bread was, by far, the biggest seller at \$703 million in December. The highest growth was recorded by muffins.

# COVID-19 IMPACT

brought to you by:



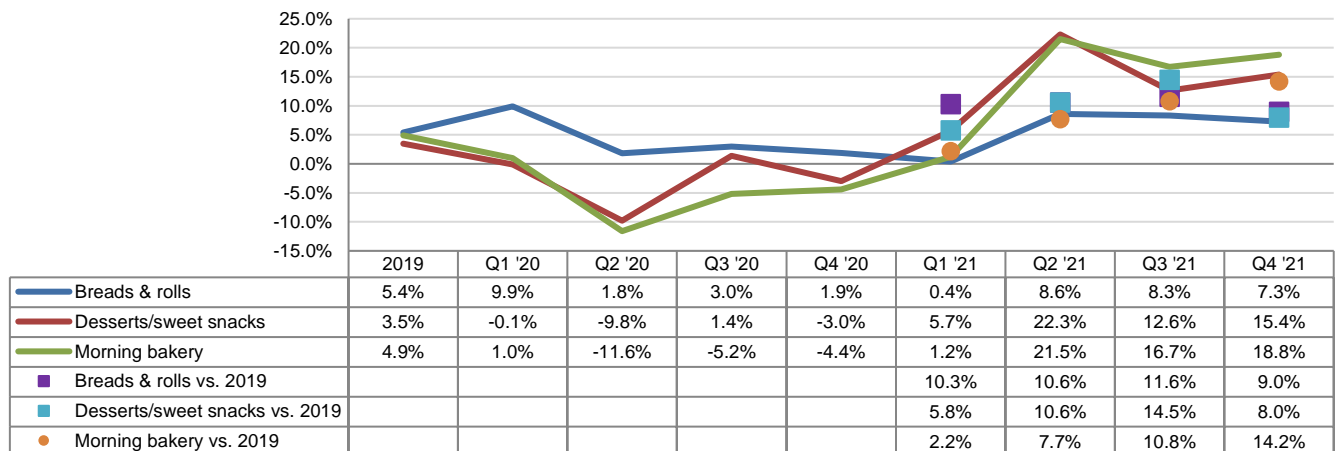
Center store baked goods	Current sales vs 2019 and 2020								Dec '21	Dec vs '20	Dec vs '19
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21			
Breads	10%	15%	7%	8%	-4%	-9%	0%	+2.4%	\$703M	+2.9%	+13.0%
Buns & rolls	16%	21%	15%	15%	4%	-6%	-1%	+3.8%	\$332M	+4.8%	+17.5%
Snack cakes	4%	13%	8%	10%	2%	-2%	6%	+9.9%	\$105M	+4.5%	+20.8%
Bagels/bialys	11%	32%	23%	26%	14%	-5%	5%	+7.0%	\$101M	+8.3%	+40.0%
Donuts	6%	19%	21%	8%	5%	-3%	-1%	+9.2%	\$89M	+16.5%	+24.1%
English muffins	6%	26%	14%	14%	5%	-13%	-2%	+0.1%	\$63M	+0.3%	+15.6%
Muffins	14%	9%	15%	15%	10%	22%	17%	+26.2%	\$61M	+34.8%	+57.8%
Cookies	10%	13%	7%	6%	-6%	-1%	8%	+2.7%	\$48M	+2.6%	+9.1%
Pastry/Danish/ coffee cakes	5%	9%	4%	6%	2%	3%	11%	+11.0%	\$44M	+14.5%	+24.9%
Cakes	9%	18%	9%	10%	4%	-1%	13%	+12.0%	\$35M	+16.2%	+30.1%
Brownies/bars	11%	12%	10%	6%	3%	7%	4%	+6.1%	\$31M	+4.9%	+14.0%
Pies	18%	20%	15%	8%	-1%	-1%	-1%	-0.3%	\$19M	+0.4%	+12.7%
Wraps/flatbreads	11%	9%	18%	16%	4%	6%	-4%	+1.1%	\$16M	+2.5%	+20.4%
Croissants	1%	0%	24%	28%	16%	34%	25%	+15.0%	\$8M	+16.1%	+42.1%

Source: IRI, Total US Integrated Fresh, MULO

## Perimeter Bakery (including both fixed and random weight)

Sales in perimeter breads and rolls improved 12.6% in the fourth quarter of 2021 when compared to the last three months of 2021. Just like in the aisle, morning bakery was the fastest growing area, at +18.8%.

### Perimeter bakery \$ sales growth vs. year ago



Source: IRI, Total US, MULO, Integrated Fresh, 1 month % growth versus year ago includes known baked goods commonly found in the bakery aisle based on IRI's Integrated Fresh research process powered in cooperation with IDDBA



# COVID-19 IMPACT

brought to you by:



In perimeter bakery, the winter holidays drove strong cake and cookie sales, both up significantly versus 2020 and 2019. Cakes were easily the biggest seller, at \$394 million, but some of the smaller selling categories grew faster, such as muffins, donuts, croissants and specialty desserts. Perimeter donuts have now completed their full comeback and came out above 2019 levels for the first time this year.

Perimeter bakery	Current sales vs 2019 and 2020										
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Q4 '21	Dec '21	Dec vs '20	Dec vs '19
Cakes	-2%	-10%	3%	-3%	7%	24%	13%	+15.8%	\$394M	+17.6%	+9.8%
Cookies	6%	-10%	-1%	-5%	2%	22%	14%	+19.4%	\$257M	+21.5%	+10.2%
Pastry/Danish/ coffee cakes	4%	-1%	5%	1%	9%	18%	16%	+14.1%	\$128M	+16.1%	+15.1%
Pies	-5%	-6%	4%	1%	7%	12%	1%	+4.5%	\$124M	+2.1%	+4.2%
Breads	11%	7%	7%	4%	1%	2%	2%	-0.4%	\$118M	-0.8%	+3.1%
Muffins	3%	-5%	-3%	2%	3%	19%	19%	+21.3%	\$78M	+21.7%	+27.5%
Buns & rolls	6%	-6%	-4%	-5%	-6%	10%	10%	+8.9%	\$72M	+9.0%	+2.1%
Donuts	-4%	-31%	-21%	-17%	-11%	31%	14%	+15.0%	\$71M	+20.6%	+1.2%
Croissants	22%	9%	12%	14%	15%	24%	18%	+20.7%	\$42M	+26.2%	+40.8%
Brownies/bars	6%	-5%	7%	-1%	15%	26%	15%	+2.4%	\$24M	-4.9%	-13.1%
Bagels/bialys	7%	-16%	-14%	-12%	-12%	14%	19%	+17.7%	\$21M	+16.2%	+5.0%
Wraps/flatbreads	8%	9%	12%	13%	7%	8%	8%	+9.3%	\$20M	+11.6%	+26.5%
Specialty desserts	-13%	-43%	-37%	-28%	-18%	36%	25%	+27.2%	\$11M	+26.9%	-6.6%

Source: IRI, Total US Integrated Fresh, MULO, % growth versus year ago includes fixed and random weight baked goods known to be commonly found in the perimeter bakery area based on IRI's Integrated Fresh research process powered in cooperation with IDDBA

## What's Next?

Marketplace disruption is likely to continue through the first quarter of 2022 at a minimum.

- In December 2021, 38% of shoppers encountered issues with availability of items they had planned to purchase. The highest out-of-stocks were reported for toilet paper, canned goods and milk.
- In response to not being able to buy what they came for, 34% of shoppers spent their money elsewhere and 26% ended up not purchasing the planned item at all — underscoring the significant impact of out-of-stocks on sales.
  - 34% went to a different store and another 7% went online and bought it from another store.
  - 26% forewent the purchase.
  - 24% bought a different brand or variety.
  - 19% returned to the store later.
- 22% of shoppers stocked up on certain items out of concern that they may not be available next time they shop.
- 18% stocked up on certain items for other reasons, including rapidly rising inflation. This could affect fresh produce sales with dollars shifting to canned and frozen.

The latest COVID-19 wave has not resulted in the same levels of concern as those early in the pandemic.

- 33% is extremely concerned — a ratio that was double as high during the early months.
- Despite the arrival of the Omicron variant, 73% are not any more or less worried; 27% are more worried and 7% are less worried.

Eighty percent of consumers bought from restaurants in December 2021 — a few points down from prior months.

Engagement is driven by takeout and delivery:

- 54% of primary shoppers have gotten takeout and 20% have ordered home delivery.
- 49% have dined inside at a restaurant and 10% have eaten outdoors at a restaurant.

The next report in the IRI, 210 Analytics and IDDBA performance series will be released mid-February covering the January sales trends. Please recognize and thank the entire food supply chain for all they do to keep supply flowing.

## Date ranges:

2019: 52 weeks ending 12/28/2019

Q1 2020: 13 weeks ending 3/29/2020

Q2 2020: 13 weeks ending 6/28/2020

# COVID-19 IMPACT

brought to you by:



Q3 2020: 13 weeks ending 9/27/2020  
Q4 2020: 13 weeks ending 12/27/2020  
Q1 2021: 13 weeks ending 3/28/2021  
Q2 2021: 13 weeks ending 6/27/2021  
Q3 2021: 13 weeks ending 9/26/2021  
Q4 2021: 13 weeks ending 12/26/2021  
December 2021: 4 weeks ending 12/26/2021